

# THE WALL STREET JOURNAL.

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## BUSINESS

# Fast Food's Big Challenge: Fresh Ingredients

Supplies run tight, as traditional chains add more fruit and vegetables to their menus; Wendy's three-year quest for blackberries



Wendy's employee Aurora Lopez prepares a Strawberry Fields Chicken Salad at a Wendy's in Salinas, Calif., in July.  
*PHOTO: SUSANA BATES FOR THE WALL STREET JOURNAL*

By **JULIE JARGON**

Updated Aug. 18, 2015 12:49 p.m. ET

**WATSONVILLE, Calif.**—It will have taken three years and a search involving more than 30 growers for Wendy's Co. to procure enough blackberries for a new salad it plans to offer next summer.

“It's been a slow, painful journey for us,” said Dave Kourie, who heads procurement for Wendy's. “We spent 14 months scavenging around the industry, looking at more suppliers than we ever have.”

Wendy's quest for the nearly 2 million pounds of blackberries it will need to embellish a

seasonal salad at its 6,500 North American restaurants illustrates the challenges large chains are trying to digest as they seek to keep up with growing demand for fresh ingredients.

Consumers ranked the addition of more produce as the most important dietary change they were making, above things like consuming less sugar, salt and fat, according to a survey of more than 1,000 people by consulting firm AlixPartners LLP last year.

That trend is increasingly driving customers to so-called fast-casual restaurant chains that prepare fresh food such as Chipotle Mexican Grill Inc., LYFE Kitchen Restaurants, and Chop't Creative Salad Co. The number of U.S. fast-casual restaurants has jumped 41% to nearly 23,000 since 2010, while the number of traditional fast-food outlets has grown 5% to roughly 169,000, according to Technomic Inc., a restaurant consulting firm.

In response, traditional fast-food chains are trying to shake their image as

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purveyors of processed food. McDonald's Corp. is testing breakfast bowls and salads made with kale, and advertising that its Egg McMuffins are made with freshly cracked eggs. Del Taco Restaurants Inc., which has about 550 Mexican-food eateries in 16 states, is offering fresh avocado as an upgrade for all menu items and running commercials showing how restaurant workers slice the avocados by hand. Chick-fil-A Inc. has added items it says are made with fresh, locally sourced produce, such as a chicken wrap with red cabbage and carrots.

The upstarts aren't making it easy. Chipotle has launched a marketing campaign called "Friend or Faux" designed to highlight the preservatives and artificial ingredients in mainstream fast-food items. But Chipotle has had its own problems securing supplies of premium ingredients for its nearly 1,900 restaurants.

Chipotle last month said sales in its latest quarter suffered, in part, from its decision in January to pull the "carnitas" topping for its burritos, burrito bowls and tacos from many of its restaurants after discovering that a pork supplier didn't meet its animal-

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—Bob Wright, Wendy’s chief operations officer

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welfare standards. Chipotle struggled to find another supplier that could meet its requirements at the scale it needed. The carnitas topping won’t be back nationwide until early in the fourth quarter.

Wendy’s installed salad bars in some restaurants in 1979, but the toppings have grown from simple tomatoes and croutons to include strawberries, blueberries, almonds and edamame. And it has accelerated the pace of product introductions, with seven new salads in the past two years.

Fresh ingredients present a challenge for big chains because of their sprawling supply chains and rapid, repeatable preparation processes. Some items aren’t an option. Wendy’s considered adding raspberries but abandoned the idea because the fruit would have become too mushy by the time it made it into a salad.

Bob Wright, Wendy’s chief operations officer, said he thinks celebrity chefs have helped drive the desire for fresher ingredients. “There’s a lot of education about food and food quality from cooking shows,” he said.



Last summer, Wendy’s introduced the strawberry fields chicken salad, which sold so well that the fast-food chain offered it again this summer. *PHOTO: SUSANA BATES FOR THE WALL STREET JOURNAL*

Last summer, Wendy's introduced the strawberry fields chicken salad, which sold so well that the company offered it again this summer.

Adding blackberries posed Wendy's most difficult supply-chain challenge ever, executives say. Most blackberries are sold to grocery stores, leaving little supply for restaurants, according to Anthony Gallino, vice president of sales at California Giant Berry Farms, a Wendy's supplier. To meet Wendy's needs, growers had to plant extra bushes, which take three years to produce mature fruit.

Wendy's normally reviews two to five suppliers for each type of produce it uses, but the company went through more than 30 before finding a pair that could supply enough blackberries.

Even common produce presents challenges. Strawberries grow in abundance, but have to be shipped quickly after being picked. Wendy's was getting many of its strawberries this summer from farms in Southern California, but a heat wave caused the berries to ripen quickly. So it moved its supply base north to Watsonville, on California's central coast, where cool, foggy evenings produce better growing conditions.



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Once picked, the strawberries here are transported to a California Giant packing facility and inspected to ensure they meet Wendy's specifications for color, size and quality. The strawberries are held in a hangar-size cooling room until they chill to 32 degrees Fahrenheit before being loaded onto a refrigerated truck and shipped to one of Wendy's 22 distribution centers around the country. From farm to fork, the strawberries have to hold up for at least seven days.

To maintain consistency, Wendy's sends franchisees instruction cards dictating how the berries should be washed, cut and placed on the salads. Restaurants also need to ensure worker safety for all the slicing fresh produce requires—workers must wear chainmail mesh gloves—and to ensure the added prep work doesn't slow service.



A worker picked strawberries at a farm in Watsonville, Calif., in July. Many fast-food companies are working to add more fresh ingredients. *PHOTO: SUSANA BATES FOR THE WALL STREET JOURNAL*

The restaurants prepare only as many salads as the prior-year period's sales data suggests they'll sell in a day. Most preparation is done in the morning, before the restaurants open, but more salads are made if demand outpaces predictions. Employees wait until a customer places an order to top the strawberry salads with blue cheese, hot chicken and bacon.

“Just to have a salad on a menu is a very difficult thing to achieve,” said Mr. Wright.

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### **Corrections & Amplifications:**

Wendy's Co.'s Asian cashew chicken salad and the barbecue ranch chicken salad are regular menu items. An earlier version of this article incorrectly stated that those salads are seasonal offerings. (Aug. 18, 2015)